

NEWS RELEASE

FOR RELEASE _____

Cline, DeVries & Allen, LLP today released an audit report on the City of Story City, Iowa.

The City's receipts totaled \$4,451,572 for the year ended June 30, 2012, a five percent increase from 2011. The receipts included \$1,055,244 in property tax, \$773,895 from tax increment financing collections, \$1,088,111 from charges for service, \$450,160 from operating grants, contributions and restricted interest, \$544 from capital grants, contributions, and restricted interest, \$403,440 from local option sales tax, \$16,491 from unrestricted investment earnings, and \$663,687 from other general receipts.

Disbursements for the year totaled \$4,420,426 a thirty six percent decrease from the prior year, and included \$722,463 for capital projects, \$555,263 for culture and recreation, and \$610,277 for community and economic development. Also, disbursements for business type activities totaled \$755,294 .

A copy of the audit report is available for review in the City Clerk's office, in the office of Auditor of State and on the Auditor of State's website at

<http://auditor.iowa.gov/reports/index.html>.

CITY OF STORY CITY
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-6
 Basic Financial Statements:	 <u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 9-10
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 11-12
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 13
Notes to Financial Statements	14-22
 Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	24-25
Notes to Required Supplementary Information – Budgetary Reporting	26
 Supplementary Information:	 <u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 28-29
Schedule of Indebtedness	2 30-31
Note Maturities	3 32
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 33
 Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	 35-36
 Schedule of Findings	 37-40

City of Story City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Jensen	Mayor	Jan 2014
Dwayne Fihr	Council Member	Jan 2016
Valaree Muhlenburg	Council Member	Jan 2016
Becky Watson	Council Member	Jan 2016
Dave Sporleder	Council Member	Jan 2014
Jeffrey Crisman	Council Member	Jan 2014
Mark Jackson	Administrator	
Dena Nichols	Clerk/Treasurer	
Fred A. Larson	Attorney	

City of Story City

CLINE, DEVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Story City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1. However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Story City, do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Story City as of and for the year ended June 30, 2012 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2012 on our consideration of the City of Story City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Story City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial records themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The City has not presented management's discussion and analysis which introduces the primary government financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the primary government financial statements.

Budgetary comparison information on pages 24 through 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

November 15, 2012
Ames, Iowa

City of Story City

Basic Financial Statements

City of Story City

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 500,053	30,313	-	-
Public works	393,319	53,319	328,335	-
Health and social services	19,500	-	-	-
Culture and recreation	555,263	87,486	52,569	544
Community and economic development	610,277	8,791	5,515	-
General government	358,244	-	63,741	-
Debt service	506,013	-	-	-
Capital projects	722,463	2,977	-	-
Total governmental activities	3,665,132	182,886	450,160	544
Business type activities:				
Water	369,578	497,095	-	-
Sewer	354,067	361,437	-	-
Stormwater drainage	30,980	46,693	-	-
Golf Course	669	-	-	-
Total business type activities	755,294	905,225	-	-
Total	\$ 4,420,426	1,088,111	450,160	544
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Special assessments				
Local option sales tax				
Mobile home tax				
Hotel/motel tax				
Utility replacement tax				
Cable television				
Unrestricted interest on investments				
Loan repayments				
Rent				
Net loan proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Nonexpendable:				
Cemetery Perpetual Care				
Expendable:				
Streets				
Urban renewal purposes				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets
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Governmental Activities	Business Type Activities	Total
----------------------------	-----------------------------	-------

(469,740)	-	(469,740)
(11,665)	-	(11,665)
(19,500)	-	(19,500)
(414,664)	-	(414,664)
(595,971)	-	(595,971)
(294,503)	-	(294,503)
(506,013)	-	(506,013)
(719,486)	-	(719,486)
(3,031,542)	-	(3,031,542)

-	127,517	127,517
-	7,370	7,370
-	15,713	15,713
-	(669)	(669)
-	149,931	149,931
(3,031,542)	149,931	(2,881,611)

845,998	-	845,998
773,895	-	773,895
189,001	-	189,001
20,245	-	20,245
403,440	-	403,440
1,917	-	1,917
89,967	-	89,967
686	-	686
24,024	-	24,024
11,652	4,839	16,491
11,969	-	11,969
36,604	16,055	52,659
475,842	-	475,842
4,283	-	4,283
2,340	-	2,340
37,900	(37,900)	-

2,929,763	(17,006)	2,912,757
(101,779)	132,925	31,146
2,895,612	889,075	3,784,687
\$ 2,793,833	1,022,000	3,815,833

\$ 65,768	-	65,768
108,339	-	108,339
41,427	-	41,427
602,966	-	602,966
1,368	-	1,368
1,973,965	1,022,000	2,995,965
\$ 2,793,833	\$ 1,022,000	\$ 3,815,833

City of Story City

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2012

	General	Special Revenue	
		Tax Increment Financing	Hospital Trust
Receipts:			
Property tax	\$ 816,100	-	-
Tax increment financing collections	-	773,895	-
Other city tax	519,111	-	-
Licenses and permits	8,557	-	-
Use of money and property	40,304	1,177	2,974
Intergovernmental	21,784	-	-
Charges for service	138,912	-	-
Miscellaneous	67,265	-	-
Total receipts	1,612,033	775,072	2,974
Disbursements:			
Operating:			
Public safety	498,553	-	-
Public works	68,334	-	-
Health and social services	19,500	-	-
Culture and recreation	522,377	-	-
Community and economic development	88,232	522,045	-
General government	348,922	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,545,918	522,045	-
Excess (deficiency) of receipts over (under) disbursements	66,115	253,027	2,974
Other financing sources (uses):			
Bond/Note proceeds, net of fees	-	-	-
Sale of capital assets	-	-	-
Operating transfers in	45,696	43,000	70,000
Operating transfers out	(57,600)	(372,855)	(456,500)
Total other financing sources (uses)	(11,904)	(329,855)	(386,500)
Net change in cash balances	54,211	(76,828)	(383,526)
Cash balances beginning of year	561,840	118,255	710,674
Cash balances end of year	\$ 616,051	41,427	327,148
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	41,427	-
Debt service	-	-	-
Streets	-	-	-
Other purposes	-	-	-
Unassigned	616,051	-	327,148
Total cash basis fund balances	\$ 616,051	41,427	327,148

See notes to financial statements.

Debt Service		Capital Projects	Other Nonmajor Governmental Funds	Total
General Obligation Bonds	TIF Reserve			
189,001	-	29,898	20,245	1,055,244
-	-	-	-	773,895
515	-	408	-	520,034
-	-	-	-	8,557
1,066	1,230	1,964	12,054	60,769
-	-	-	325,434	347,218
-	-	-	687	139,599
-	-	38,002	36,688	141,955
190,582	1,230	70,272	395,108	3,047,271
-	-	1,500	-	500,053
-	-	-	324,985	393,319
-	-	-	-	19,500
-	-	-	32,886	555,263
-	-	-	-	610,277
-	-	-	9,322	358,244
506,013	-	-	-	506,013
-	-	722,463	-	722,463
506,013	-	723,963	367,193	3,665,132
(315,431)	1,230	(653,691)	27,915	(617,861)
-	-	475,842	-	475,842
-	-	2,340	-	2,340
312,855	-	507,000	8,000	986,551
-	-	(43,000)	(18,696)	(948,651)
312,855	-	942,182	(10,696)	516,082
(2,576)	1,230	288,491	17,219	(101,779)
189,089	307,651	362,648	645,455	2,895,612
186,513	308,881	651,139	662,674	2,793,833
-	-	-	65,768	65,768
-	-	-	-	41,427
186,513	308,881	-	107,572	602,966
-	-	-	108,339	108,339
-	-	-	1,368	1,368
-	-	651,139	379,627	1,973,965
186,513	308,881	651,139	662,674	2,793,833

City of Story City
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2012

	Enterprise Funds				Total
	Water	Sewer	Stormwater Drainage	Golf Course	
Operating receipts:					
Use of money and property	\$ 16,055	-	-	-	16,055
Charges for service	492,564	358,294	46,693	-	897,551
Miscellaneous	4,531	3,143	-	-	7,674
Total operating receipts	513,150	361,437	46,693	-	921,280
Operating disbursements:					
Business type activities	369,578	354,067	30,980	669	755,294
Total operating disbursements	369,578	354,067	30,980	669	755,294
Excess (deficiency) of operating receipts over (under) operating disbursements	143,572	7,370	15,713	(669)	165,986
Other financing sources (uses):					
Interest on investments	1,788	3,049	-	2	4,839
Operating transfers out	(18,950)	(18,950)	-	-	(37,900)
Total other financing sources (uses)	(17,162)	(15,901)	-	2	(33,061)
Net change in cash balances	126,410	(8,531)	15,713	(667)	132,925
Cash balances beginning of year	318,167	588,463	(18,555)	1,000	889,075
Cash balances end of year	\$ 444,577	579,932	(2,842)	333	1,022,000
Cash Basis Fund Balances					
Unrestricted	444,577	579,932	(2,842)	333	1,022,000
Total cash basis fund balances	\$ 444,577	579,932	(2,842)	333	1,022,000

See notes to financial statements.

City of Story City

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Story City is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Story City has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Story City Municipal Electric Utility. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Story City (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The Story City Municipal Electric Utility is a component unit of the City of Story City and is not presented in these primary government financial statements. They are legally separate from the City, but are financially accountable to the City. The Story City Municipal Electric Utility (Utility) was established to operate the City's electric facilities. The Utility is governed by a three member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Utility is held in the name of the City. A financial benefit/burden relationship exists between the City and the Utility in that the

City is authorized by statute to issue general obligation debt for a city utility, and may certify taxes for the payment of the debt.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Central Iowa Regional Transportation Planning, Trees Forever Board, E911 Service Board and Story County Mayors Group.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints are placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement

to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Hospital Trust Fund is used for internal loan purposes. To date, it has been used for TIF related projects.

Debt Service:

The General Obligation Bonds Fund is used to account for the City's general obligation long term debt.

The TIF Reserve is a fund set aside to provide for payment of principal and interest on the Urban Renewal Tax Increment Bonds if there is insufficient money in the TIF Revenue Fund.

The Capital Projects fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Stormwater Drainage fund accounts for the operation and maintenance of the City's stormwater drainage system.

The Golf Course Fund accounts for maintenance of the golf course, which is being leased to a private company.

C. Measurement Focus and Basis of Accounting

The City of Story City maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the community and economic development function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City’s investment policy limits the investment of operating funds in instruments that mature within 397 days. Operating funds are defined as those funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City of Story City.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation, urban renewal tax increment financing project and water anticipation notes are as follows:

Year Ending June 30,	General Obligation		Urban Renewal Tax Increment Financing		Water Anticipation		Total	
	Notes		Project Notes		Notes			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 360,133	140,285	\$ 335,000	90,730	\$ 215,841	\$ -	\$ 910,974	\$ 231,015
2014	350,631	128,483	350,000	75,391	-	-	700,631	203,874
2015	366,142	116,517	360,000	62,828	-	-	726,142	179,345
2016	376,666	103,087	375,000	48,478	-	-	751,666	151,565
2017	402,203	88,735	390,000	33,402	-	-	792,203	122,137
2018-2022	1,284,225	219,643	410,000	17,195	-	-	1,694,225	236,838
2023-2027	420,000	35,502	-	-	-	-	420,000	35,502
Total	\$ 3,560,000	\$ 832,252	\$ 2,220,000	\$ 328,024	\$ 215,841	\$ -	\$ 5,995,841	\$ 1,160,276

The Urban Renewal Tax Increment Financing Bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City’s urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The provisions providing for the issuance of the Urban Renewal Tax Increment Financing Bonds, Series 2007B, require a separate Bond Reserve Fund to be created. There shall be set aside and paid into the Reserve Fund from TIF Revenues and other legally available TIF funds of the City on each June 1 and December 1, beginning December 1, 2008, and continuing through June 1, 2011, a sum equal to \$41,667 until there has been accumulated in the Reserve Fund a total amount equal to \$250,000.

The provisions of the Urban Renewal Tax Increment Financing Bonds, Series 2010, require that each June 1 and December 1, there shall be a deposit into the same Reserve Fund above equal to \$14,250 until there has been accumulated in the Reserve Fund the amount of \$57,000 for a total Reserve Fund balance of \$307,000 which includes the balance for the Series 2007B Bonds.

As of June 30, 2012, the Reserve Fund has been established.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available

financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years end June 30, 2012, 2011, and 2010 were \$83,027, \$72,624 and \$65,864, respectively, equal to the required contributions for each year.

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. City employees also accumulate a limited amount of earned but unused sick leave hours for subsequent use. A portion of sick leave is payable upon termination of employment if the employee quits or retires after at least ten years of continuous service. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 48,659
Sick leave	<u>65,345</u>
Total	<u>\$114,004</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(6) Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Library Trust	\$ 6,896
	Hospital Trust	1,500
	Gilbert Library	1,800
	Enterprise:	
	Water	17,750
	Sewer	17,750
		<u>45,696</u>
Debt Service	Special Revenue:	
General Obligations	Tax Increment Financing	302,855
	Road Use Tax	10,000
		<u>312,855</u>
Special Revenue:	General	5,600
Insurance	Special Revenue:	
Hospital Trust	Tax Increment Financing	70,000
		<u>75,600</u>
Capital Projects	General	52,000
	Special Revenue	
	Hospital Trust	455,000
		<u>507,000</u>
Special Revenue	Capital Projects	43,000
Tax Increment Financing		<u>43,000</u>
Special Revenue:	Enterprise:	
Insurance	Water	1,200
Insurance	Sewer	1,200
		<u>2,400</u>
Total		<u>986,551</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Notes Receivable/Economic Development

During the year ended June 30, 2007, the City entered into a loan for \$36,000 with Record Printing. Original terms of the agreement required monthly payments of principal and interest of \$665 every month starting October 1, 2006 until September 1, 2011. These terms were modified in January of 2009 and only interest was required monthly for January 6, 2009 thru December 6, 2009. Principal and interest payments started again on January 6, 2010 in the amount of \$616 per month. The interest rate is 4.125% and the balance of the loan on June 30, 2012 was \$4,048.

During the fiscal year ended June 30, 2009, the City entered into a loan agreement with MH Eby, Inc. Monthly interest of \$52 is due and payable starting October 5, 2008 thru August 5, 2012. Principal plus interest of \$12,552 is due and payable on September 5, 2012. Thereafter, monthly interest of \$26 shall be due and payable starting September 5, 2012 and continuing thru August 5, 2013. Principal plus interest in the amount of \$12,526 shall be due and payable on September 5, 2013. The balance on the loan at June 30, 2012 was \$25,104.

During the year ended June 30, 2010, the City entered into a loan agreement with Lafayette Township to purchase a fire truck for \$85,000. The Township paid \$20,500 down and the City furnished the remaining \$64,500. The township paid the City in four equal installments of \$5,500 each, with simple interest at a rate of 2.7% per year. These four payments, with accumulated interest were due on December 1, 2010, May 1, 2011, December 1, 2011 and May 1, 2012. The loan was paid off during the fiscal year ended June 30, 2012.

The City also entered into an agreement with LaFayette Township to purchase a first responder vehicle. The City will advance the purchase price of the vehicle and the cost of equipping it. The Township will repay the City for the Township's 30% share of the cost on or before December 1, 2012 with an interest rate of 2.7%.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$4,900 during the year ended June 30, 2012.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the any of the past three fiscal years.

(10) Landfill

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15th of each year, the City of Ames will notify the City of Story City of its proportionate share of the net costs of the system for the prior calendar year. The City of Story City will pay the City of Ames one-half of its share on July 15th and one-half on or before December 15th of each year. The annual rate of the contract is determined by multiplying the net per capita cost of the Ames solid waste disposal system by the population of the City of Story City.

(11) Construction Commitments

The City had the following commitments with respect to unfinished capital projects at June 30, 2012:

<u>Project</u>	<u>Remaining Commitment</u>
Skunk River Trail and Pedestrian Bridge	\$289,261

(12) Golf Course Lease

On January 1, 2009, the City entered into a lease with River Bend Golf Course LTD which states that River Bend is going to manage and operate the City owned golf course. The lease is a 10 year lease with automatic renewal upon expiration. Starting in January 2012, River Bend will pay the City \$7,500 or 5% of gross revenues for the year, whichever is less. This fee will be paid by January 31st of the following year. No fees will be charged by the City for the first 3 years of operation. In years in which the golf course suffers losses due to flooding, these fees may be waived.

(13) Forgivable Loans

The City received two forgivable loans (\$115,000 and \$300,000) from the Iowa Department of Economic Development (IDED) during the fiscal year ended June 30, 2010. These loans were passed thru to Generation Repair and Service, LLC. Generation Repair and Service, LLC is required to meet certain terms, including fulfillment of job obligations. If the terms of the funding agreements are met, then the IDED will forgive the loans to the City.

(14) Deficit Balances

The Special Revenue Fund, Insurance Fund and the Business Type Fund, Storm Water Drainage fund, had deficit balances of \$1,215 and \$2,842, respectively at June 30, 2012.

(15) Health Insurance

The City entered into an agreement to partially self-fund employee deductibles and out of pocket maximum payments under their health insurance plan. The deductible for an employee under a single plan is \$500 and for a family plan is \$1,000.

The maximum out of pocket costs for an employee under a single plan is \$1,000 and for a family plan is \$2,000.

The maximum liability to the City is \$1,500 for a single plan and \$3,000 for a family plan.

(16) Subsequent Events

Subsequent to year end, the City approved a Community Development Block Grant with the Iowa Department of Economic Development for a housing rehabilitation grant in the amount of \$337,900. The City also entered into a contract for the Water Treatment Plant at an estimated cost of \$3,407,700 and approved the issuance of Water Revenue Bonds not to exceed \$2,925,000 and General Obligation Water Treatment Plant Improvements and Refunding Bonds not to exceed \$4,080,000.

The date through which events occurring after June 30, 2012 have been evaluated for possible adjustment to the financial statements or disclosure is November 15, 2012, which is the date of this report.

Other Information

City of Story City
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,055,244	-
Tax increment financing collections	773,895	-
Other city tax	520,034	-
Licenses and permits	8,557	-
Use of money and property	60,769	20,894
Intergovernmental	347,218	-
Charges for service	139,599	897,551
Special assessments	-	-
Miscellaneous	141,955	7,674
Total receipts	3,047,271	926,119
Disbursements:		
Public safety	500,053	-
Public works	393,319	-
Health and social services	19,500	-
Culture and recreation	555,263	-
Community and economic development	610,277	-
General government	358,244	-
Debt service	506,013	-
Capital projects	722,463	-
Business type activities	-	755,294
Total disbursements	3,665,132	755,294
Excess (deficiency) of receipts over (under) disbursements	(617,861)	170,825
Other financing sources (uses), net	516,082	(37,900)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(101,779)	132,925
Balances beginning of year	2,895,612	889,075
Balances end of year	\$ 2,793,833	1,022,000

See accompanying independent auditors' report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,055,244	1,008,009	1,008,009	47,235
773,895	749,151	749,151	24,744
520,034	486,899	516,899	3,135
8,557	8,450	8,450	107
81,663	82,700	82,700	(1,037)
347,218	535,410	611,410	(264,192)
1,037,150	881,000	1,001,000	36,150
-	11,000	11,000	(11,000)
149,629	95,150	95,150	54,479
3,973,390	3,857,769	4,083,769	(110,379)
500,053	491,205	506,205	6,152
393,319	426,450	476,450	83,131
19,500	21,500	21,500	2,000
555,263	532,125	583,125	27,862
610,277	38,800	213,800	(396,477)
358,244	360,100	375,100	16,856
506,013	931,809	931,809	425,796
722,463	422,000	907,000	184,537
755,294	782,905	802,905	47,611
4,420,426	4,006,894	4,817,894	397,468
(447,036)	(149,125)	(734,125)	287,089
478,182	35,000	265,000	213,182
31,146	(114,125)	(469,125)	500,271
3,784,687	4,814,664	3,784,687	-
3,815,833	4,700,539	3,315,562	500,271

City of Story City

Notes to Other Information – Budgetary Reporting

June 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted receipts by \$226,000 and budgeted disbursements by \$811,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the community and economic development function.

Supplementary Information

City of Story City

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2012

	Special Revenue						
	Economic Development Revolving Loan	Police Forfeitures	Road Use Tax	Library Trust	Insurance	Gilbert Library	Golf Course Trust
Receipts:							
Property tax	\$ -	-	-	-	-	-	-
Use of money and property	8,435	2	-	2,612	-	54	1
Intergovernmental	-	-	325,434	-	-	-	-
Charges for services	-	-	-	687	-	-	-
Miscellaneous	-	-	-	-	-	36,000	300
Total receipts	8,435	2	325,434	3,299	-	36,054	301
Disbursements:							
Operating:							
Public works	-	-	324,985	-	-	-	-
Culture and recreation	-	-	-	-	-	32,886	-
General government	-	-	-	-	9,322	-	-
Total disbursements	-	-	324,985	-	9,322	32,886	-
Excess (deficiency) of receipts over (under) disbursements	8,435	2	449	3,299	(9,322)	3,168	301
Other financing sources (uses):							
Operating transfers in	-	-	-	-	8,000	-	-
Operating transfers out	-	-	(10,000)	(6,896)	-	(1,800)	-
Total other financing sources (uses)	-	-	(10,000)	(6,896)	8,000	(1,800)	-
Net change in cash balances	8,435	2	(9,551)	(3,597)	(1,322)	1,368	301
Cash balances beginning of year	136,931	455	117,890	238,215	107	-	100
Cash balances end of year	\$ 145,366	457	108,339	234,618	(1,215)	1,368	401
Cash Basis Fund Balances							
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-	-	-
Restricted for debt service	-	-	-	-	-	-	-
Restricted for streets	-	-	108,339	-	-	-	-
Restricted for other purposes	-	-	-	-	-	1,368	-
Unassigned	145,366	457	-	234,618	(1,215)	-	401
Total cash basis fund balances	\$ 145,366	457	108,339	234,618	(1,215)	1,368	401

See accompanying independent auditors' report.

Schedule 1

Debt Service	Permanent Cemetery Perpetual Care	Total
Special Assessments		
20,245	-	20,245
406	544	12,054
-	-	325,434
-	-	687
-	388	36,688
<u>20,651</u>	<u>932</u>	<u>395,108</u>
-	-	324,985
-	-	32,886
-	-	9,322
<u>-</u>	<u>-</u>	<u>367,193</u>
<u>20,651</u>	<u>932</u>	<u>27,915</u>
-	-	8,000
-	-	(18,696)
<u>-</u>	<u>-</u>	<u>(10,696)</u>
20,651	932	17,219
<u>86,921</u>	<u>64,836</u>	<u>645,455</u>
<u>107,572</u>	<u>65,768</u>	<u>662,674</u>
-	65,768	65,768
107,572	-	107,572
-	-	108,339
-	-	1,368
<u>-</u>	<u>-</u>	<u>379,627</u>
<u>107,572</u>	<u>65,768</u>	<u>662,674</u>

City of Story City
Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water improvement refunding	Jan. 15, 2007	3.70-4.10%	\$ 1,155,000
Annual appropriation development	Mar. 1, 2009	4.00-6.15%	1,115,000
Corporate purpose	Jan. 13, 2011	.90-4.25%	1,870,000
Fire truck loan	Jun. 1, 2012	2.45%	225,000
Total			
Urban Renewal Tax Increment Financing Bonds:			
Urban Renewal Tax Increment Bonds-Series 2007B	May 15, 2007	4.15-4.95%	\$ 2,500,000
Urban Renewal Tax Increment Bonds-Series 2010	Jan. 14, 2010	1.70-3.55%	570,000
Total			
Other:			
Water anticipation loan notes	Jun. 24, 2011	0.00%	\$ 215,842
Police car loan	Jun. 1, 2011	0.00%	35,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 930,000	\$ -	\$ 120,000	\$ 810,000	\$ 36,805	\$ -
1,025,000	-	90,000	935,000	56,050	-
1,705,000	-	115,000	1,590,000	51,658	-
-	225,000	-	225,000	-	-
\$3,660,000	\$ 225,000	\$ 325,000	\$ 3,560,000	\$ 144,513	\$ -
\$2,030,000	\$ -	\$ 250,000	\$ 1,780,000	\$ 89,678	\$ -
510,000	-	70,000	440,000	14,618	-
\$2,540,000	\$ -	\$ 320,000	\$ 2,220,000	\$ 104,296	\$ -
\$ -	\$ 215,841	\$ -	\$ 215,841	\$ -	\$ -
-	35,000	35,000	-	-	-
\$ -	\$ 250,841	\$ 35,000	\$ 215,841	\$ -	\$ -

City of Story City

Note Maturities

June 30, 2012

Year Ending June 30,	General Obligations				General Obligations				Total
	Annual Appropriation		Corporate Purpose		Corporate Purpose		Fire Truck Loan		
	Issued Mar 1, 2009		Issued Jan 13, 2011		Issued Jan. 15, 2007		Issued Jun 1, 2012		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2013	4.65%	100,000	1.60%	115,000	3.85%	125,000	2.45%	20,132	360,132
2014	4.90%	100,000	1.60%	105,000	3.90%	125,000	2.45%	20,631	350,631
2015	5.15%	105,000	2.15%	110,000	3.95%	130,000	2.45%	21,142	366,142
2016	5.50%	110,000	2.15%	110,000	4.00%	135,000	2.45%	21,667	376,667
2017	5.70%	120,000	2.90%	115,000	4.05%	145,000	2.45%	22,203	402,203
2018	5.90%	125,000	2.90%	115,000	4.10%	150,000	2.45%	22,753	412,753
2019	6.05%	135,000	3.50%	120,000			2.45%	23,317	278,317
2020	6.15%	140,000	3.50%	125,000			2.45%	23,894	288,894
2021			3.80%	125,000			2.45%	24,486	149,486
2022			3.80%	130,000			2.45%	24,775	154,775
2023			4.10%	135,000					135,000
2024			4.10%	140,000					140,000
2025			4.25%	145,000					145,000
Total		\$ 935,000		\$1,590,000		\$ 810,000		\$ 225,000	3,560,000

Year Ending June 30,	Urban Renewal Tax Increment Financing Bonds		Urban Renewal Tax Increment Financing Bonds		Total
	Series 2007B		Series 2010		
	Issued May 15, 2007		Issued Jan 14, 2010		
	Interest Rates	Amount	Interest Rates	Amount	
2013	4.85%	265,000	2.45%	70,000	335,000
2014	4.15%	280,000	2.45%	70,000	350,000
2015	4.20%	290,000	3.10%	70,000	360,000
2016	4.25%	300,000	3.10%	75,000	375,000
2017	4.30%	315,000	3.55%	75,000	390,000
2018	4.35%	330,000	3.55%	80,000	410,000
Total		\$ 1,780,000		\$ 440,000	\$ 2,220,000

Year Ending June 30,	Water Anticipation Notes	
	Issued Jun 24, 2011	
	Interest Rates	Amount
2013	0.00	<u>215,841</u>
Total		<u>\$ 215,841</u>

See accompanying independent auditors' report.

City of Story City

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Nine Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:									
Property tax	1,055,244	\$ 993,365	\$ 964,559	\$ 910,698	\$ 870,452	\$ 815,902	\$ 737,182	720,335	\$ 667,167
Tax increment financing collections	773,895	751,639	759,687	749,438	899,346	998,845	683,605	1,076,649	1,229,827
Other city tax	520,034	494,595	487,913	514,764	485,347	473,843	422,805	408,444	408,370
Licenses and permits	8,557	8,991	9,095	12,627	8,660	14,935	12,649	14,964	14,042
Use of money and property	60,769	86,457	92,850	91,044	132,281	172,571	121,156	86,079	57,274
Intergovernmental	347,218	732,289	939,970	490,382	352,661	612,109	419,531	630,206	351,606
Charges for service	139,599	147,379	157,575	158,673	137,977	139,641	128,921	115,112	119,356
Special assessments	-	84,359	-	2,202	7,285	21,603	8,138	43,259	25,132
Miscellaneous	141,955	134,229	102,772	109,605	123,273	79,726	224,252	179,499	59,974
Total	\$ 3,047,271	\$ 3,433,303	\$ 3,514,421	\$ 3,039,433	\$ 3,017,282	\$ 3,329,175	\$ 2,758,239	3,274,547	\$ 2,932,748
Disbursements:									
Operating:									
Public safety	500,053	\$ 462,261	\$ 462,292	\$ 475,784	\$ 422,697	\$ 423,161	\$ 382,754	369,443	\$ 410,974
Public works	393,319	389,527	395,681	448,109	414,110	400,717	370,229	354,287	349,452
Health and social services	19,500	20,200	19,900	-	-	19,500	-	1,000	971
Culture and recreation	555,263	567,266	503,476	610,499	580,565	396,949	404,715	392,586	353,434
Community and economic development	610,277	542,351	380,541	165,509	162,197	242,974	99,198	399,896	265,810
General government	358,244	331,372	356,833	323,761	329,277	304,198	315,090	369,192	361,520
Debt service	506,013	2,052,479	493,810	802,846	789,916	3,182,355	620,143	1,576,327	521,850
Capital projects	722,463	1,819,362	1,466,632	1,947,569	495,292	3,617,145	1,421,835	984,059	813,526
Business type activities	-	-	-	38,543	-	-	-	-	-
Total	\$ 3,665,132	\$ 6,184,818	\$ 4,079,165	\$ 4,812,620	\$ 3,194,054	\$ 8,586,999	\$ 3,613,964	\$ 4,446,790	\$ 3,077,537

See accompanying independent auditors' report.

City of Story City

CLINE, DeVRIES & ALLEN, LLP

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 15, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Story City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Story City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of the City of Story City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Story City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility a material misstatement of the City of Story City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Story City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Story City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Story City's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Story City and other parties to whom the City of Story City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Story City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

November 15, 2012
Ames, Iowa

City of Story City
Schedule of Findings
Year ended June 30, 2012

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Story City
Schedule of Findings
Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Story City
Schedule of Findings
Year ended June 30, 2012

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-12 **Certified Budget** – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do so in the future.

Conclusion – Response accepted.

- III-B-12 **Questionable Disbursements** – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- III-C-12 **Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-12 **Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jensen Excavating, owned by son of Council Member	Services	\$ 4,900

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individual appear to represent conflicts of interest since total transactions with the individual exceeded \$1,500 during the fiscal year.

Recommendation – The City should consult with legal counsel to determine the disposition of this matter.

Response – We will do so.

Conclusion – Response accepted.

- III-E-12 **Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- III-F-12 **Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

- III-G-12 **Deposits and Investments** – No instances of non-compliance with the City's investment policy were noted.

City of Story City

Schedule of Findings

Year ended June 30, 2012

III-H-12 Financial Condition - The Special Revenue, Insurance account had a deficit balance at June 30, 2012 of \$1,215. The Business Type Fund, Storm Water Drainage account had a deficit balance of \$2,842 at June 30, 2012.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - We will do so.

Conclusion - Response accepted.